

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 ICAE-00 SSO-00 NSCE-00
INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EA-10
FRB-03 INR-10 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 XMB-02
OIC-02 /103 W
-----071432 101709Z /45

O R 101604Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 9832
INFO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
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USOECD

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FOR EB/ICD

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: COMMON FUND: MEETING OF OECD AD HOC AND
HIGH LEVEL GROUPS APRIL 5-7

1. SUMMARY: APRIL 5-6 MEETING OF OECD AD HOC GROUP
ON COMMON FUND DISCUSSED U.S. PAPER ON TYPES OF DECISIONS CF WOULD HAVE TO TAKE AND OECD SECRETARIAT'S STUDY ON COUNTRY VOTING-STRENGTH. DELEGATIONS ALSO EXCHANGED VIEWS ON COMMON FUND ROLE FOR "OTHER MEASURES." DEBATE ON LATTER ISSUE THREATENED TO BECOME CONTENTIOUS, WITH NORDICS TABLING PAPER ADVOCATING GROUP B SUPPORT FOR A "SECOND WINDOW." UK SUGGESTED
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THE POSSIBILITY OF A LIMITED SECOND WINDOW BASED ON VOLUNTARY CONTRIBUTIONS FOR OTHER MEASURES WHICH BENEFIT BOTH PRODUCERS AND CONSUMERS AND WHICH ARE NOT CURRENTLY GIVEN FULL SUPPORT THROUGH THE IFIS (BUT DID NOT GET MORE SPECIFIC). USDEL WAS ALONE IN WEIGHING IN WITH A STRONG STATEMENT THAT ITS POSITION ON OTHER MEASURES HAD NOT CHANGED AND THAT

U.S. REMAINED UNCONVINCED THAT THERE WAS ANY CASE FOR A FINANCIAL ROLE FOR THE COMMON FUND IN THIS AREA. HIGH LEVEL GROUP ON COMMODITIES (HLGC), WHICH MET FOLLOWING DAY APRIL 6, HEARD REPORT OF AD HOC CHAIRMAN (WENDT) ON PROGRESS ON VOTING AND ORGANIZATION AND ENDORSED CHAIRMAN'S PROPOSALS FOR FURTHER WORK ON THESE QUESTIONS. HLGC DECIDED THAT COMMON FUND SUBGROUP SHOULD ALSO WORK TOWARDS PROPOSAL OR STATEMENT OF A POSITION ON OTHER MEASURES DURING NEXT TWO MEETINGS SCHEDULED FOR MAY 18-19 AND JUNE 19-20. GROUP ALSO HEARD REPORT FROM INVESTMENT SUBGROUP AND AGREED FUTURE SUBGROUP WORK WOULD START WITH A PILOT STUDY ON TIN. END SUMMARY.

AD HOC GROUP

2. VOTING: DISCUSSION ON THIS ITEM IN AD HOC GROUP FOCUSED ON SECRETARIAT PAPER PRESENTING NUMBER OF TABLES SHOWING DISTRIBUTION OF VOTING STRENGTH IN (A) HYPOTHETICAL CF BASED ON SEVEN THEORETICAL COMMODITY AGREEMENTS (TIN, COCOA, SUGAR, RUBBER, TEA, COFFEE, COPPER) AND (B) CF BASED ONLY ON FIRST FOUR OF THESE. PAPER HIGHLIGHTED FACT THAT, BASED ON USUAL ICA RULES FOR DIVISION OF VOTING POWER IN ICAS, LDCS IN BOTH KINDS OF CF WOULD COMMAND A BARE SIMPLE MAJORITY, OR CLOSE TO IT, WHILE COMBINED OECD VOTE WOULD FALL JUST LIMITED OFFICIAL USE

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SHORT OF MAJORITY, WITH GROUP D COUNTRIES AND CHINA HOLDING SMALL BUT STRATEGIC SWING BLOC OF VOTES. U.S. ANALYSIS OF TABLES NOTED THAT GROUP D STATUS AS CONSUMERS IN MOST ICAS WAS LARGELY RESPONSIBLE FOR LOWERING OECD STRENGTH BELOW THAT OF LDCS IN A HYPOTHETICAL CF -- THUS POINTING TO NEED FOR EMPLOYING QUALIFIED MAJORITIES AS WELL AS CAREFUL LIMITING OF DISCRETION OF CF IN DEALING WITH IMPORTANT QUESTIONS. MOST OTHER COMMENTS ALSO STRESSED NEED FOR QUALIFIED MAJORITIES AND -- POSSIBLY -- DISTRIBUTED VOTES OR DISTRIBUTED MAJORITIES IN A CF. DISCUSSION ON STATISTICAL PRESENTATION WAS LARGELY INCONCLUSIVE BUT RESULTED IN NUMEROUS REQUESTS FOR FURTHER HYPOTHETICAL CALCULATIONS, E.G. USING DIFFERENT COMBINATIONS OF ICAS AND ADDRESSING PROBLEM OF DISTRIBUTING VOTES IN CF CONTAINING BOTH ICA MEMBERS AND NON-ICA MEMBERS (I.E., SOME FORM OF UNIVERSAL MEMBERSHIP).

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FRB-03 INR-10 NEA-10 NSAE-00 OPIC-03 SP-02
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OIC-02 /103 W

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O R 101604Z APR 78
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3. DECISION MAKING: U.S. PRESENTED PAPER ANALYZING
TYPES OF DECISIONS THAT WOULD BE REQUIRED TO DEAL WITH
BUFFER STOCK FINANCING FUNCTION OF A CF AS DESCRIBED
IN GROUP B'S PROPOSAL OF LAST NOVEMBER. U.S. STRESSED
THAT PAPER PRESENTED PRELIMINARY VIEWS AND THAT CLASSI-
FICATION OF DECISIONS AS WELL AS OTHER ASPECTS OF
PAPER WERE SUBJECT TO FURTHER REFLECTION. MOST COMMON
REACTION WAS THAT SPECIAL MAJORITIES WOULD BE NEEDED
ON DECISIONS LABELED CONSTITUTIONAL AND THAT SIMPLE
MAJORITIES MIGHT DO FOR OPERATIONAL QUESTIONS. A NUM-
BER OF DELEGATES NOTED THAT U.S. PAPER DID NOT EXPRESS
VIEW AS TO WHICH BODY IN CF SHOULD MAKE THE VARIOUS
TYPES OF DECISION AND LABELED THIS QUESTION AS THE
CRUCIAL ISSUE. ONE DELEGATE (SWEDEN) WONDERED WHETHER
ANY OF THE D-CISIONS NEEDED SPECIAL MAJORITY. INTER-
ESTINGLY, THE NETHERLANDS AND NORDICS WERE CONCERNED
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THAT GIVING THE CF THE POWER TO CERTIFY ICAS FOR

ADMISSION MIGHT ALLOW CF TO BLOCK ACCESSION OF NEW ICAS WHICH MIGHT THREATEN POWER STRUCTURE (ESPECIALLY DISTRIBUTION OF VOTES AMONG LDCS) WITHIN CF.

4. OTHER MEASURES: DISCUSSION OF THIS ITEM CENTERED AROUND LONG PAPER SUBMITTED BY NORDICS WHICH PARROTED VIRTUALLY EVERY ARGUMENT USED BY G-77 FOR A SECOND WINDOW AND ENDED UP WITH EIGHT "POSSIBLE CONCLUSIONS" WHICH SWEDISH SPOKESMAN LATER DOWNGRADED TO "QUESTIONS." NORDICS AND NETHERLANDS MADE EXPECTED SUPPORTING COMMENTS. UK (WHICH HAD PRIVATELY FOREWARNED U.S.) THEN INTERVENED WITH A TWO-PART STATEMENT WHICH ON THE ONE HAND CRITICIZED NORDIC ARGUMENT AS BEING TOTALLY WITHOUT ECONOMIC MERIT, BUT ON THE OTHER, IN NAME OF POLITICAL NECESSITY, WITHDREW UK'S OWN PREVIOUS OPPOSITION TO ANY FINANCIAL ROLE FOR CF IN OTHER MEASURES. FRANCE FOLLOWED WITH SIMILAR BUT MORE DELICATE SIGNAL OF RETREAT ON SECOND WINDOW, FORMULATING THE ISSUE AS "WHAT WE SHOULD SETTLE FOR IF THERE IS TO BE A SECOND WINDOW FOR POLITICAL REASONS." BOTH UK AND FRANCE AGREED ON NEED TO LIMIT SCOPE OF SECOND WINDOW AND THAT THIS SHOULD BE DONE IN THE ARTICLES OF AGREEMENT AND NOT, AS SUGGESTED BY NORDICS, BY LIMITING FUNDS. AUSTRALIA AND BELGIUM FOLLOWED WITH SIMILAR STATEMENTS WHILE CANADA WAFFLED. IN THE END, U.S. HAVING EARLIER CONCENTRATED ON TECHNICAL CRITICISM OF NORDIC PAPER, FELT OBLIGED TO DELIVER STRONG STATEMENT OF ITS UNCHANGED POSITION AND THIS SEEMED TO HAVE SOME SOBERING EFFECT ON NORDICS. FRG TACITLY SUPPORTED U.S. BY REMAINING SILENT EXCEPT FOR A SINGLE RETORT AT END OF DEBATE, WHEN, IN REPLY TO A NORDIC COMMENT REGARDING PROGRESS BEING MADE IN SECOND WINDOW ISSUE, FRG DELIMITED OFFICIAL USE

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SAID THAT AFTERNOON'S DISCUSSION INDICATED NO PROGRESS AT ALL. IN A SHORT COMMENT THE JAPANESE INDICATED NO CHANGE IN THEIR POSITION. U.S. CHAIRMAN, DESPITE PRESSURE FROM NORDICS, DECLINED TO TRY TO SUMMARIZE IN WRITING THE ITEM ON OTHER MEASURES AND POINTED OUT THAT A WIDE RANGE OF VIEWS STILL EXISTED IN AD HOC GROUP ON THE SUBJECT.

HIGH-LEVEL GROUP

5. HLGC SESSION APRIL 7 OPENED WITH SUMMARY BY CHAIRMAN STEELE OF RECENT SEMINAR IN GENEVA, WHICH HE CHARACTERIZED AS DISAPPOINTING BECAUSE G-77 REPS CONTINUED TO REPEAT OLD POSITIONS AND MAINTAIN VAGUE, GRANDIOSE IDEAS ABOUT "OTHER MEASURES." GROUP B COORDINATOR BARRASS FOLLOWED WITH ASSESSMENT THAT AFTER

UNCTAD SEC GEN COREA'S CONSULTATIONS WITH SELECTED BANKERS APRIL 28, HE WOULD NEED UNTIL JULY TO WORK OUT A COMPROMISE PROPOSAL FOR CF. MOST LIKELY TIME FOR CONFERENCE TO RECONVENE, THEREFORE, WAS EARLY IN FALL.

6. DISCUSSION OF MANAGEMENT AND VOTING RESULTED IN AGREEMENT ON PROGRAM OF FUTURE WORK PROPOSED BY CHAIRMAN OF AD HOC GROUP (WENDT), WITH CONSENSUS THAT SPECIAL ATTENTION WAS NEEDED ON TYPES OF DECISIONS TO BE TAKEN BY A PLENARY BODY AND AN EXECUTIVE BOARD. OTHER WORK ITEMS ARE: METHODS FOR WEIGHTING OF

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O R 101604Z APR 78
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VOTES, FEASIBILITY OF DISTINGUISHING BETWEEN PRODUCER AND CONSUMER VOTES IN THE CF, AND PRACTICAL IMPLICATIONS OF QUALIFIED OR DISTRIBUTED MAJORITY REQUIREMENTS. ONLY DEBATE CENTERED ON SWEDISH SUGGESTION THAT GROUP LOOK AT INFORMAL PROCEDURES OF TEXTILE SURVEILLANCE BODY AS MODEL FOR CF. FRG, BELGIUM, AND FRANCE NOTED GREAT DIFFERENCES BETWEEN OPERATIONAL FINANCIAL DECISIONS IN CF AND WHAT WAS DONE IN MFA, AND EXPRESSED STRONG PREFERENCE FOR PRECISE,

MATHEMATICALLY DETERMINED VOTING PROCEDURES SUCH AS
TYPICALLY FOUND IN ICAS.

7. WITH RESPECT TO "OTHER MEASURES," THERE WAS A
STRONG FEELING THAT GROUP SHOULD WORK TOWARDS PREPAR-
ING A PROPOSAL OR STATEMENT OF POSITION ON OTHER
MEASURES, WITH OBJECT OF FINDING OUT EXTENT TO WHICH
A GROUP B POSITION WILL BE POSSIBLE. WORK SHOULD
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INCLUDE IDENTIFYING WHAT CF SHOULD AND SHOULD NOT DO,
RELATIONSHIP TO PRODUCER/CONSUMER BODIES, ETC. MOST
DELS WHO SPOKE EXPRESSED VIEW THAT, POLITICALLY, THERE
COULD BE NO CF WITHOUT SOMETHING ON OTHER MEASURES
AND THAT IT WAS IMPORTANT NOT TO BE UNPREPARED WHEN
TIME CAME TO MAKE A POLITICAL DECISION. SWISS DEL
STRESSED IMPORTANCE OF MAKING ANYTHING ON OTHER
MEASURES COUNT POLITICALLY WITH LLDC'S AND AFRICANS,
NOTING IT WAS IN PRODUCTS NOT COVERED BY ICAS THAT
THESE COUNTRIES HAD AN INTEREST. UK SAID OTHER
MEASURES ROLE FOR CF COULD BE ACCEPTED ONLY AS PART
OF AN OVERALL SETTLEMENT AND MUST BE STRICTLY DELIMITED
AND DEFINED, WITH VOLUNTARY FINANCING AND SUPPORT ONLY
FOR MEASURES AGREED BY PRODUCERS AND CONSUMERS.
FRANCE EMPHASIZED NEED TO HAVE WELL-FOUNDED POSITION
IN CASE NEGOTIATIONS RESULTED IN NEED FOR QUICK DECI-
SION ON SECOND WINDOW. U.S. STATED ITS WILLINGNESS
TO PARTICIPATE CONSTRUCTIVELY IN DISCUSSIONS AS LONG
AS THERE WAS NO PRESUMPTION OF A FINANCIAL ROLE FOR
THE CF.

8. HLC ALSO HEARD REPORT FROM INVESTMENT SUBGROUP
AND DISCUSSED POSSIBLE FUTURE WORK IN THIS AREA. EC
COMMISSION WAS MOST ENTHUSIASTIC PROPONENT OF CONTIN-
UING SERIES OF PILOT STUDIES, WHILE FRG THOUGHT WORK
SHOULD WIND UP, AND CANADA WANTED PROBLEM OF DEFINI-
TIONS AND OTHER DEFICIENCIES OF COPPER PAPER CORRECTED
BEFORE GOING ON. U.S. AND OTHERS SUPPORTED SIMULTANEOUS
WORK ON DEFINITIONS AND A FURTHER CASE STUDY, WITH
INCREASED EMPHASIS ON STRUCTURAL FACTORS AFFECTING
INVESTMENT. GROUP AGREED TO THIS APPROACH, AND TO
U.S. SUGGESTION THAT TIN BE SUBJECT OF NEXT CASE STUDY.
CHROME, MANGANESE, NICKEL AND BAUXITE MAY ALSO BE
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STUDIED LATER, DEPENDING ON RESOURCES AVAILABLE AND

EXTENT OF WORK NEEDED IN EACH CASE TO REACH CONCLUSIONS
USEFUL TO POLICY MAKERS. THIS QUESTION WILL BE
DECIDED BY SUBGROUP ITSELF. DELS ARE TO COMMUNICATE
THEIR PREFERENCES REGARDING PRIORITIES TO SECRETARIAT.
INVESTMENT SUBGROUP WILL ELECT NEW CHAIRMAN AT ITS
NEXT MEETING, TO BE SCHEDULED WHEN PROGRESS HAS BEEN
MADE IN WORK.

9. AD HOC COMMON FUND GROUP WILL MEET AGAIN MAY 18-19
AND JUNE 19-20. HLGC ITSELF WILL MEET JULY 6, JUST
BEFORE GENEVA MEETING OF AD HOC INTERGOVERNMENTAL
GROUP ON INTEGRATED PROGRAM.
SALZMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, COMMITTEE MEETINGS, TRADE AGREEMENTS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS11667
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780154-0150
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780474/aaaaclek.tel
Line Count: 345
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 696a20b3-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3020909
Secure: OPEN
Status: NATIVE
Subject: COMMON FUND: MEETING OF OECD AD HOC AND HIGH LEVEL GROUPS APRIL 5-7
TAGS: ETRD, OECD
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/696a20b3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014